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SUBJECT: ASSAM'S INSURGENT GROUPS QUIET FOR NOW BUT SOCIAL PROBLEMS PERSIST

REF: CALCUTTA 00372

1. (SBU) Summary: November 5-10, CG made an introductory visit to the State of Assam, the gateway to India's Northeast. Ethnic insurgencies, poverty, drugs and economic stagnation have plagued Assam in recent history. However, some positive trends have emerged in moderating ethnic tensions and bringing economic growth. The economic development may offer opportunities for U.S. businesses that manufacture oil, pipeline and construction equipment. The State's governing Congress Party is preparing for elections in May 2006 and will likely see a reduction in seats and a possible loss of power. HIV/AIDS, illegal narcotics and tensions with Bangladeshi immigrants are persistent problems for the State. However, with its resources and increased interest by the GOI, Assam and the Northeast region could see some economic and social improvements. End Summary.

2. (U) Assam a State the size of Mississippi with a population of approximately 27 million people is the gateway to the other Northeast States of India, also referred to as the "Seven Sisters." The capital Guwahati's air links and businesses make it a regional hub. The State, like the Northeast region as a whole, is poor, having a State Per Capita Income of only USD 251, half of the national average. The population is ethnically diverse with 45 different language groups. The Brahmaputra River valley makes up 60 percent of the land and the State has international borders with Bhutan and Bangladesh.

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Heart of Darkness on the Brahmaputra  
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3. (SBU) The State's poverty and ethnic diversity has made it the battleground for approximately 42 ethnic insurgent groups including major organizations such as the United Liberation Front of Asom (ULFA), the National Democratic Front of Bodoland (NDFB), the Dima Halong Daogah (DHD) and the United Peoples Democratic Solidarity (UPDS). The prevalence of these groups has crippled the State's development and created a climate of festering violence. The most recent outbreak was the shocking tit-for-tat October killings between the Karbi and Dimasa tribal groups in the Karbi Anglong district, which resulted in 78 deaths, many from brutal hacking and dismemberment (REFTEL). Separatist group ULFA, however, has been the greatest concern for the State and National Government. The fighting since 1982 for a separate socialist homeland, ULFA is believed to have 800 to 1,000 active members with another approximately 1,200 supporters providing safe houses, logistics and intelligence assistance. Indian officials have claimed to CG that the group has received training and weapons from Pakistan's Inter-Services Intelligence (ISI); have links to Nepali Maoists; bases in Bangladesh, where many of key figures, including its leader Paresh Barua are in hiding; and until 2003, when Bhutanese and Indian Armies attacked, had bases in Bhutan.

4. (SBU) During CG's visit ethnic tensions were on a low ebb as State officials successfully mediated a truce between feuding Karbi and Dimasa tribes; the ULFA has been quiescent as it negotiates a potential settlement with the GOI and Bodo are beginning to administer their new "Bodoland" district. In the wake of the October Karbi-Dimasa killings, the Government of Assam (GOA) moved quickly to bring the various tribal, community and academic leaders together to negotiate an end to the fighting. The head of a Ford Foundation funded Peace Study Group said that the killing has stopped only temporarily. The underlying problems of poverty, insufficient land and opportunity remain and that fighting will likely flare again as the 29 ethnic groups in the Karbi Anglong district compete for scarce land resources.

5. (SBU) ULFA has also been quiet as negotiations between its representative Peace and Consultative Group (PCG) and the GOI began on October 26. Assamese author Indira Goswami leads this group of key Assamese intellectuals and community leaders. No ceasefire has been declared and security forces are still conducting operations against members of the group in various parts of the State, including Dhubri and Mangaldoi districts. CG found no consensus on whether the negotiations would lead to substantive results. GOA officials were concerned that ULFA has initiated the discussions to provide breathing space to reconstitute and arm as it struggles with recent setbacks, such

as the loss of bases in Bhutan in 2003 and the Indian Army's success in killing and capturing many ULFA cadre in its August-September attacks at Dibru-Saikhowa.

16. (SBU) The once militant Bodos have begun to administer their new Bodoland Territorial Council (BTC), in what Chief Minister (CM) Tarun Gogoi told CG he hopes will serve as a potential model for other ethnic communities. The BTC, constituted in June 2005, governs an area in the Northwest of Assam made up of four districts, having the highest concentrations of Bodos. Bodo leaders have been given administrative authority to manage budgets, projects and civil servants in the area of development and social services. GOI and GOA officials are still responsible for security and law enforcement. Locally elected Bodo leaders are now in charge of social and infrastructure development priorities. CM Gogoi and Home Commissioner Dr. Biren Gohain were very positive with the results and the potential to apply this approach of giving limited local control to ethnic groups as a way of meeting the various groups' demands for autonomy. However, a GOA civil servant told CG that the Bodo leaders are falling into the ways of Indian politicians by squandering a USD 100 million-aid package on contracts to family and cronies and building nice homes for themselves. He noted that if roads are built, the one in front of the home of the newly installed Bodo bureaucrat is constructed first. Local academics also questioned whether local autonomy initiatives would work for more scattered communities and felt that ultimately the desire of so many groups to have a degree of local control would conflict.

17. (SBU) HIV/AIDS and illegal narcotics are two problems that will likely worsen given the social dynamics and lack of awareness. According to Assamese official figures, of 50,779 blood samples screened up to July 2005, 920 cases were HIV positive, with 315 AIDS cases. Since May 2002, the Voluntary Confidential Counseling and Treatment Center in Dibrugarh (upper

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Assam) has tested approximately 500 people with 38 HIV positive results. However, the State's leading HIV/AIDS specialist Dr.

18. I. Ahmed questioned the efficacy of the State's sentinel surveillance mechanism and felt HIV/AIDS infection rates were underreported. Especially, considering neighboring states Manipur has the highest concentration of HIV/AIDS infection in India and Nagaland has an epidemic rate of infections as well. He also noted a growing anecdotal trend in illegal narcotics abuse, with drugs coming from neighboring Burma. He showed CG photographs of few hundred recently seized methamphetamine pills with "WY" imprints. (Note: The United Wa State Army (UWSA), one of the largest drug cartels in the world, operates out of Northeast Burma and produces huge quantities of methamphetamine with similar imprints.)

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Money Offers a Silver Lining  
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18. (SBU) Assam's difficulties have drawn GOI's attention and the State, like the rest of the Northeast, enjoys "special category" status for additional funding. The GOI Central Plan allocated Assam USD 695 million for 2005-2006. Assam receives among the highest per capita GOI funding in the country. The Asian Development Bank has also been very generous, giving USD 100 million in loans in the last two years for power and development programs. CM Gogoi was very upbeat about Assam's financial position in his conversation with CG, noting that government salaries were now being paid on time - a departure from the past.

19. (SBU) In the State capital, Guwahati, the large inflow of money is fueling a building boom. Three large, modern shopping malls were already completed, with three more under construction. A surprising number of new car dealerships, restaurants, and multi-story offices, hospitals and apartment building were also evident. The Taj Hotel chain reportedly will construct a 5 star hotel in the city and Jet Airways announced that its Calcutta - Guwahati route, a route it is required to fly by the GOI, is finally making money for the airlines. All contacts told CG that the building boom was the result of misappropriation of public funds or "money laundering," as described by one businessperson. Even the CM admitted to CG that Guwahati's growth was partly attributable to "leakages" of money meant for infrastructure development. This graft has meant that public funds are not being used to finance critical infrastructure in the poor rural areas of the State to facilitate broadening of economic development but are begin used in Guwahati, where the benefits are enjoyed by the urban elites.

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Tea and Oil  
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10. (U) Assam's two major industries are tea and oil. Assam produces 55 percent of India's 865 million kg output of Tea. However, the Tea industry has been in a recession since 1998 from excess production and loss of markets in Russia and

Pakistan and the increase of cheap low quality tea from small producers. The State's 845 large gardens constitute 226,000 hectares and employ 556,000 permanent workers.

11. (U) Assam also has India's largest proven onshore oil reserves of 2.9 billion barrels - 45 percent of the country's proven reserves and 15 percent of its crude output. Private sector Assam Company Ltd. (ACL) recently struck oil in two new sites in Amguri and Assam Arakan with reserves of approximately 15 million barrels and 50 million barrels respectively. In addition, the Amguri field is estimated to have 45 billion cubic feet of natural gas. ACL plans to invest USD 645 million to construct 16 wells to exploit these reserves. CG met with officials of public sector Oil India Limited (OIL), which operates India's longest oil pipeline of 1,157 km through the State. The oil sector constitutes a significant sales opportunity for U.S. manufacturers. OIL officials noted that they plan to expand the pipeline and to upgrade existing equipment, expressing a strong interest in U.S. manufactured equipment. OIL also wants U.S. technology to improve oil extraction techniques.

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State Elections in May 2006  
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12. (SBU) The ruling Congress Party is hoping to use the recent economic improvements and the ULFA peace negotiations to win again in the May 2006 elections. However, all contacts believed the election would be very close, possibly with no clear majority. Even State Congress Party Spokesman Abdul Khaleque admitted Congress would likely lose seats in the next election. A GOA election official was more pessimistic, saying he believed the Congress Party would lose the election. However, the opposition Asom Gana Parishad (AGP) is also experiencing infighting and is competing with the breakaway AGP (Progressive) party for the opposition votes. The Muslim community, which constitutes 30 percent of the State population, is also an important vote block. Congress ally Jamiat Ulema-e-Hind party, upset with perceived lack of Congress support for the Illegal Migrants Determination by Tribunals Act, repealed by the Supreme Court in July, have floated forming a United Democratic Front with support of 20 minority groups.

13. (SBU) According to Commissioner & Secretary to the Chief Minister Dr. Biren Gohain (Protect), illegal immigration of Bangladeshis will not be addressed prior to the elections. Because of the importance of the Muslim vote for the Congress party, no action will be taken to push restrictions on illegal immigration for fear of offending the Muslim community. Six million illegal Bangladeshis are estimated to be living in Assam and dominate the State's southern five districts along the 272 km border with Bangladesh.

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Comment  
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14. (U) Assam is the economic and transport hub for India's Northeast States. Like the rest of the region, it experiences serious problems of poverty, insurgency, drugs and HIV/AIDS. Despite the extensive corruption, some positive changes are happening on the economic front. However, the limited positive economic news will likely not be sufficient to give the Congress Party a definitive win in the State.  
JARDINE